

Message Text

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64

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 NEA-11 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 SAM-01 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 AGR-20 FEA-02 INT-08 SCI-06 IO-14 DRC-01 /247 W

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R 301812Z JAN 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7549

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

AMEMBASSY ABU DHABI

AMEMBASSY THE HAGUE

AMEMBASSY KUWAIT

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L LONDON 01376

STATE ALSO FOR T/IEP

E.O. 11652: GDS

TAGS: ENRG, UK

SUBJECT: ENERGY: UK-IRAN OIL TRADE DEAL

REF: LONDON 1319

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1. IN FOLLOW UP CONVERSATION WITH PRESTON, DEPUTY SECRETARY, TRADE, DTI AND CORLEY, ASSISTANT SECRETARY, COMMERCIAL RELATIONS, DTI ON DETAILS OF UK-IRAN OIL DEAL, THEY TOLD US APPROXIMATELY 2.5 OF EXTRA 5 MILLION TONS OF OIL WOULD BE DELIVERED TO THE BRITISH COMPANIES WHICH HAVE CONTRACTED TO SUPPLY INDUSTRIAL GOODS TO IRANIANS. PRESTON ACKNOWLEDGED ONLY ABOUT 1 MILLION TONS MIGHT BE REQUIRED TO PRODUCE QUANTITY OF GOODS TO BE SUPPLIED TO IRANIANS. OIL TO BE SUPPLIED WILL BE HALF IRANIAN LIGHT, HALF IRANIAN HEAVY. CONSEQUENTLY, OVERALL PRICE OF \$7.15 A BARREL IS SLIGHTLY BETTER THAN AVERAGE OF \$7.12 FOR LIGHT AND \$7.25 FOR HEAVY.

2. PRESTON DENIED PRESS REPORTS THAT COMPANIES WERE PRESSURED INTO DEAL. ALL FIRMS INVOLVED WERE SATISFIED, EXCEPT FOR BOWATER WHICH COMPLAINED IT SHOULD GET HIGHER PRICE AFTER IRANIANS SURPRISINGLY ACCEPTED FIRST PRICE BOWATER TABLED.

3. PRESTON DISCLAIMED HMG INTEREST IN PURSUING FURTHER BARTER TYPE OIL DEALS. EXCEPT FOR PERHAPS ALGERIA, FEW PRODUCER STATES HAD REACHED STAGE OF DEVELOPMENT WHERE SORTS OF INDUSTRIAL GOODS FURNISHED IRAN WOULD BE IN GREAT DEMAND. CORLEY NOTED IRANIANS WERE UNDER REAL PRESSURE THEMSELVES SINCE A NUMBER OF FACTORIES MIGHT HAVE BEEN SHUT DOWN IF BRITISH GOODS NOT MADE AVAILABLE. ACCORDING TO PRESTON, MOST PRODUCERS, SUCH AS SAUDIS, WOULD BE INTERESTED IN ECONOMIC DEVELOPMENT RELATED INVESTMENT DEALS, NOT TRADE ITEMS.

4. PRESTON CONCLUDED THAT IN ANY EVENT, HMG WAS CONCERNED THAT BARTER DEALS WOULD HAVE ADVERSE EFFECTS ON PRICE AND SUPPLY OF OIL, AS WELL AS DISTORTING INTERNATIONAL TRADING PATTERNS. GENESIS OF IRANIAN DEAL WAS REAL CONCERN IN NOVEMBER 1973 THAT HMG HAD TO ACT IMMEDIATELY TO ENSURE ADDITIONAL SUPPLIES OF OIL REACHED BRITAIN TO AVERT ECONOMIC CRISIS. PRESTON FELT CONFIDENT HMG WOULD NOT OF ITS OWN VOLITION GO FOR SIMILAR ARRANGEMENTS IN FUTURE.

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Message Attributes

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Disposition Date: 28 MAY 2004
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Executive Order: GS
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EO Systematic Review
30 JUN 2005

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